



RELEASE

April 26, 2018

Gazprom's financial statements under International Financial Reporting Standards (IFRS) for the year ended December 31, 2017

Today PJSC Gazprom issued its audited consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2017.

The table below presents the consolidated statement of comprehensive income prepared in accordance with IFRS for the years ended December 31, 2017 and December 31, 2016. All amounts are presented in millions of the Russian Rubles.

	Year ended December 31,	
	2017	2016
Sales	6,546,143	6,111,051
Net (loss) gain from trading activity	(16,352)	3,382
Operating expenses	(5,714,090)	(5,244,983)
Change in impairment and other provisions	54,922	(143,870)
Operating profit	870,623	725,580
Finance income	426,705	1,018,997
Finance expense	(407,044)	(543,370)
Share of net income of associates and joint ventures	126,940	82,872
Gain on disposal of available-for-sale financial assets	782	1,059
Profit before profit tax	1,018,006	1,285,138
Current profit tax expense	(241,817)	(218,113)
Deferred profit tax expense	(9,310)	(69,921)
Profit tax	(251,127)	(288,034)
Profit for the year	766,879	997,104
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	(5,064)	33,118
Total items that will not be reclassified to profit or loss	(5,064)	33,118
Items that may be reclassified subsequently to profit or loss:		
(Loss) gain arising from change in fair value of available-for-sale financial assets, net of tax	(30,404)	62,133
Share of other comprehensive income (loss) of associates and joint ventures	2,967	(6,397)
Translation differences	23,290	(297,703)
Gain from cash flow hedges, net of tax	13,601	49,196
Total items that may be reclassified subsequently to profit or loss	9,454	(192,771)
Other comprehensive income (loss) for the year, net of tax	4,390	(159,653)
Total comprehensive income for the year	771,269	837,451

Profit for the year attributable to:

Owners of PJSC Gazprom	714,302	951,637
Non-controlling interest	<u>52,577</u>	<u>45,467</u>
	766,879	997,104

Total comprehensive income for the year attributable to:

Owners of PJSC Gazprom	710,840	806,903
Non-controlling interest	<u>60,429</u>	<u>30,548</u>
	771,269	837,451

Total sales (net of excise tax, VAT and customs duties) increased by RUB 435,092 million, or 7 %, to RUB 6,546,143 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in sales was mainly driven by an increase in sales of refined products and crude oil.

More detailed information concerning the main items of the sales' structure for the years ended December 31, 2017 and December 31, 2016 is presented in the table below.

(RUB million unless indicated otherwise)	Year ended December 31,	
	2017	2016
Sales of gas		
<i>Europe and Other countries</i>		
Net sales (net of excise tax and customs duties)	2,221,217	2,140,027
Volumes in bcm	242.0	228.3
Average price, RUB per mcm (including excise tax and customs duties)	11,670.5	11,763.3
<i>Former Soviet Union countries</i>		
Net sales (net of customs duties)	292,777	309,644
Volumes in bcm	35.0	33.2
Average price, RUB per mcm (including customs duties)	9,237.0	10,263.1
<i>Russian Federation</i>		
Net sales (net of VAT)	875,685	819,924
Volumes in bcm	229.9	214.9
Average price, RUB per mcm (net of VAT)	3,808.3	3,815.5
<i>Total sales of gas</i>		
Retroactive gas price adjustments	(49,092)	33,175
Net sales (net of excise tax, VAT and customs duties)	3,340,587	3,302,770
Volumes in bcm	506.9	476.4
Net sales of refined products (net of excise tax, VAT and customs duties)	1,687,090	1,497,562
Net sales of crude oil and gas condensate (net of VAT and customs duties)	539,958	411,958
Electric and heat energy net sales (net of VAT)	503,819	481,716
Gas transportation net sales (net of VAT)	235,061	198,971
Other revenues (net of VAT)	<u>239,628</u>	<u>218,074</u>
Total sales (net of excise tax, VAT and customs duties)	6,546,143	6,111,051

Net sales of gas increased by RUB 37,817 million, or 1 %, to RUB 3,340,587 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The change was due to the growth in volumes of gas sold in all geographic segments and the growth in average US Dollar prices (including excise tax and customs duties) in the Former Soviet Union countries and Europe and Other countries, that was partially offset by the appreciation of the average exchange rate of Russian Ruble against US Dollar and Euro by 13 % and 11 %, respectively, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Net sales of gas to Europe and Other countries increased by RUB 81,190 million, or 4 %, to RUB 2,221,217 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The change was driven by the increase in volumes of gas sold by 6 %, or 13.7 bcm, that was partially

compensated by the 1 % decrease in average Russian Ruble prices (including excise tax and customs duties).

Net sales of gas to Former Soviet Union countries decreased by RUB 16,867 million, or 5 %, to RUB 292,777 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The change was due to the decrease in average Russian Ruble prices (including customs duties) by 10 % that was partially compensated by the increase in volumes of gas sold by 5 %, or 1.8 bcm.

Net sales of gas in the Russian Federation increased by RUB 55,761 million, or 7 %, to RUB 875,685 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. This change is mainly explained by the increase in volumes of gas sold by 7 %, or 15.0 bcm.

Net sales of refined products increased by RUB 189,528 million, or 13 %, to RUB 1,687,090 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in sales of refined products was due to an increase in average prices.

Net sales of crude oil and gas condensate increased by RUB 128,000 million, or 31 %, to RUB 539,958 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase in sales of crude oil was mainly due to an increase in volumes of crude oil sold by Gazprom Neft Group to customers in Europe and Other countries and also due to an increase in average prices in all geographic segments.

Operating expenses increased by RUB 469,107 million, or 9 %, to RUB 5,714,090 million for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The change in operating expenses is primarily explained by an increase in an item "Taxes other than on income" by RUB 345,662 million, or 38 % for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is due to an increase in mineral extraction tax by RUB 301,566 million, or 49 %, for the year ended December 31, 2017 compared to the year ended December 31, 2016 mainly as a result of changes in the elements of the natural gas and crude oil MET formulas introduced with effect from January 1, 2017.

For the year ended December 31, 2017 the balance of translation differences reflected in "Net finance income (loss)" produced a loss in the amount of RUB 10,728 million compared to a gain of RUB 453,689 million for the year ended December 31, 2016. There were the depreciation of US Dollar against the Russian Ruble by 5 % and the appreciation of Euro against the Russian Ruble by 8 % for the reporting year compared to the depreciation of US Dollar and Euro against the Russian Ruble by 17 % and 20 %, respectively, for the prior year.

Profit attributable to the owners of PJSC Gazprom for the year ended December 31, 2017 amounted to RUB 714,302 million which is RUB 237,335 million, or 25 %, less than for the year ended December 31, 2016.

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations) increased by RUB 464,616 million, or 24 %, from RUB 1,932,895 million as of December 31, 2016 to RUB 2,397,511 million as of December 31, 2017. This increase was due to an increase in long-term borrowings.

More detailed information on the IFRS consolidated financial statements for the year ended December 31, 2017 can be found on the PJSC Gazprom's site (www.gazprom.ru).

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